

BEFORE THE DEPARTMENT OF COMMERCE
OF THE STATE OF MONTANA

In the matter of the adoption of a new) NOTICE OF ADOPTION
rule pertaining to the administration of)
the 2007-2008 Federal Community)
Development Block Grant (CDBG))
Program)

TO: All Concerned Persons

1. On December 21, 2006, the Department of Commerce published MAR Notice No. 8-94-54 pertaining to the public hearing on the proposed adoption of the above-stated rule at page 2999 of the 2006 Montana Administrative Register, Issue Number 24.

2. The department has adopted New Rule I (8.94.3723) as proposed.

3. The department has thoroughly considered the comments and testimony received. A summary of the comments received and the department's responses are as follows:

COMMENT #1: Three comments supporting transferring short-term residential facilities from the Housing and Neighborhood Revitalization category to the Public Facilities category were received. The comments pointed out that short-term residential facilities such as youth care shelters provide temporary shelter and highly structured social services to citizens, and as such, make these facilities a difficult fit for the CDBG housing category. One commenter also noted that similar projects, such as homeless shelters and group homes, have been included in the Public Facilities category in the past, and that making short-term residential facilities eligible in the Public Facilities category would allow local governments to be more responsive to the needs of many local residents.

RESPONSE: The department agrees, and has changed the application language to read, "Projects designed to provide temporary, short-term, or transitional housing facilities to be owned or operated by local governments or private, nonprofit corporations also fall under the category of public facilities. Examples of this type of housing are emergency shelters, shelters from domestic violence, youth shelters, and shelters for the mentally ill, among others."

COMMENT #2: Four comments requested permitting partially funded projects to compete in the next sequential cycle for the balance of the funds originally requested, while suspending the requirement to draw down 75% of the initial award before reapplying.

RESPONSE: The department agrees. In the face of serious need and rising project costs, communities face major difficulties obtaining funding for a complete project. A

partial CDBG award can compound this issue as fewer sources are available to make up funding shortfalls. The application language has been amended to read, "The following guidelines apply:

- (a) The total funds awarded cannot exceed the original full grant request.
- (b) If successful, funding for the project will then come from two successive CDBG fiscal years, and the applicant will not be required to draw any of the funds originally awarded for that project before the subsequent application.
- (c) If the applicant is unsuccessful, the partially funded grant recipient will have to meet the standard project start-up requirements and proceed with the project within six months of the date of the announcement of grant awards for the FFY 2008 CDBG public facilities grant competition."

COMMENT #3: A comment was made concerning the language in the CDBG Economic Development application guidelines stating "preference for funding will be given to those applications submitted by Certified Regional Development Corporations (CRDCs) that include a supporting resolution." There are areas that are not covered by CRDCs, and as such, they should be able to submit supporting documentation from economic development groups active in the area, and receive the same preference as those submitting CRDC resolutions.

RESPONSE: The Montana Department of Commerce created the CRDC program to encourage regional planning efforts, to avoid duplication of application efforts, and to improve communication between local development organizations, local governments, and private businesses. There are only two counties in the State of Montana that are not covered by CRDCs. All applications from local governments for CDBG Economic Development funding will be accepted and considered for award, yet in an instance where two complete applications of equal merit are considered at the same time, the one showing support for regional planning with a CRDC resolution, or its equivalent, may receive priority for funding. The guidelines go on to say that if an application does not include the resolution, an explanation why one is not included must be submitted. The department decided to leave the language as is in the application guidelines.

COMMENT #4: A comment was made concerning the same language requiring a CRDC resolution of support, regarding the necessity of having a resolution of support for public facility and housing applications. It was felt that infrastructure projects and housing proposals were only a concern to the local public entity, and a CRDC would not be part of that decision making process.

RESPONSE: The application guidelines for public facilities and housing projects only encourage, not require, a resolution of support from a CRDC. The intent of showing CRDC support for a proposal is to ensure that the local government and interested parties are communicating with their CRDC regarding local and regional planning efforts.

Final Distribution of FFY 2007 Funds

The following table summarizes the final approximate distribution of CDBG funds for the FFY 2007 program, based upon the funding level as recently announced by the U.S. Department of Housing and Urban Development (HUD).

Actual FFY 2007 State CDBG Allocation	\$6,935,714
Less 3% for state program administration and technical assistance (as provided by federal law)	<u>\$308,071</u>
<u>Amount Available for Award to Local Governments</u>	\$6,627,643
Less 1/3 Allocation for Economic Development Projects	<u>\$2,209,214</u>
Total Available for Housing and Neighborhood Renewal and Public Facility Projects	\$4,418,429
Less Planning Grants - Housing and Public Facilities	\$256,708
Subtotal	\$4,161,721
Allocation for Housing and Neighborhood Renewal Projects (34%)	\$1,414,985
Allocation for Public Facilities Projects (66%)	\$2,746,736

/s/ G. MARTIN TUTTLE
G. Martin Tuttle
Rule Reviewer

/s/ ANTHONY J. PREITE
Anthony J. Preite
Director
Department of Commerce

Certified to the Secretary of State April 16, 2007.